

Message Text

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20

ACTION EA-10

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07

INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 RSC-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 /109 W

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R 290906Z JAN 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 4925

INFO USMISSION GENEVA

AMCONSUL MELBOURNE

USMISSION OECD PARIS

AMEMBASSY WELLINGTON

AMCONSUL SYDNEY

AMEMBASSY TOKYO

AMCONSUL BRISBANE BY POUCH

AMCONSUL PERTH BY POUCH

LIMITED OFFICIAL USE CANBERRA 0628

E.O. 11652: NA

TAGS: ETRD, EIND, AS

SUBJ: GOA INCREASES AUTO INDUSTRY

PROTECTION TO SAVE JOBS

REF: A. CANBERRA 0455 (NOTAL)

B. CANBERRA 8215 (NOTAL)

C. CANBERRA 7528 (NOTAL)

1. SUMMARY: GOA ANNOUNCES MEASURES, INCLUDING IMPORT
QUOTAS, TO AID DEPRESSED AUTO INDUSTRY. IN TURN,
MANUFACTURERS WILL NOT LAY OFF WORKERS FOR AT LEAST 30
TO 90 DAYS. MEASURES REFLECT GOA'S FEAR THAT WORSENING
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UNEMPLOYEMENT MAY SPELL POLITICAL DISASTER. END SUMMARY.

2.

2. DEPUTY PRIME MINISTER AND TREASURER CAIRNS ANNOUNCED JAN. 28 GOA DECISIONS TO ASSIST DEPRESSED AUTO INDUSTRY. THREE POINT PLAN, ACCEPTED AT CABINET MEETING CHAIRED BY PRIME MINISTER WHITLAM, INCLUDES: (A) SALES TAXES WILL BE REDUCED ON PASSENGER VEHICLES FROM 27 1/2 TO 15 PERCENT AND ON COMMERCIAL VEHICLES FROM 15 TO 5 PERCENT FOR THREE MONTHS, AFTER WHICH HIGHER RATES WILL GRADUALLY BE RESTORED BY SEPTEMBER; (B) IMPORT QUOTAS ON PASSENGER AND LIGHT COMMERCIAL VEHICLES WILL BE IMPOSED FOR ONE YEAR FOR AN UNSPECIFIED PERCENTAGE OF LOCAL MARKET, PROBABLY AROUND 20 PERCENT; AND (C) CONTROVERSIAL TAX ANNOUNCED LAST SEPTEMBER WHICH EMPLOYEES WERE TO HAVE PAID ON THEIR PRIVATE USE OF COMPANY CARS WILL BE REPEALED.

3. IN RETURN FOR THESE CONCESSIONS, CAIRNS SAID THAT GENERAL MOTORS-HOLDEN HAD AGREED NOT TO LAY OFF WORKERS FOR AT LEAST 90 DAYS WHILE FORD AND CHRYSLER HAVE AGREED NOT TO RETRENCH ANYONE FOR 30 DAYS. ESTIMATES OF THE JOBS TEMPORARILY "SAVED" RANGE FROM ABOUT 8,000 TO 17,000. CAIRNS SAID THAT GOA UNDERSTAND COMPANIES' PROBLEMS BUT, BECAUSE OF THEIR "VAST PROFITS IN PREVIOUS YEARS", FEELS FIRMS SHOULD BEAR SOME OF BURDEN OF PRESENT BAD TIMES RATHER THAN PLACING BURDEN WHOLLY ON EMPLOYEES.

4. EMBASSY COMMENT: SINCE GM-H INDICATED IN DECEMBER (REF B) IT WOULD PROBABLY HAVE TO LAY OFF SUBSTANTIAL NUMBER OF WORKERS BECAUSE OF ITS LAGGING SALES, GOA HAS BEEN TRYING ANXIOUSLY TO AVERT ANY FURTHER INCREASE IN ALREADY HIGH UNEMPLOYMENT. LATEST MEASURES ARE CRITICIZED BY SOME OBSERVERS AS SELL-OUT TO CAR MANUFACTURERS, PARTICULARLY SINCE GOA RAISED TARIFF PROTECTION FOR LOCAL INDUSTRY ONLY LAST NOVEMBER (REF C). CERTAINLY THEY ARE A DESPERATE EFFORT BY A FRIGHTENED GOVERNMENT TO STEM UNEMPLOYMENT AND MARK AN ALMOST HUMILIATING REVERSAL FOR WHITLAM, WHO ONCE LOUDLY CRITICIZED OPPOSITION AND "NERVOUS NELLIES" LIMITED OFFICIAL USE

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IN HIS OWN PARTY FOR IGNORING CONSUMER INTERESTS AND FAVORING EXCESSIVE PROTECTION TO INEFFICIENT DOMESTIC PRODUCERS. THESE DECISIONS FOLLOW GOA IMPORT RESTRAINTS ON A BROAD RANGE OF MANUFACTURED GOODS (REF A) AND INDICATE GRAVITY OF GOVERNMENT'S FEAR THAT WORSENING UNEMPLOYMENT MAY BECOME POLITICALLY DISASTROUS. EMBASSY AND POSTS WILL REPORT FURTHER SIGNIFICANT DEVELOPMENTS.

GREEN

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Message Attributes

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Margaret P. Grafeld
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